

**NATIONAL HEES
ENTERPRISES LIMITED**

ANNUAL REPORT 1980

Corporate Profile

National Hees Enterprises Limited is a financial services company providing corporate financing and merchant banking facilities to its affiliated and client companies. Long term investment positions are confined to established companies where National Hees' initiatives are likely to result in increased equity values. The corporate objective is to achieve above average growth in both reported earnings and equity values without exposure to excessive risk.

Notice of Annual and General Meeting

The Annual and General Meeting of Shareholders of National Hees Enterprises Limited will be held in the Main Boardroom, Suite 3400, Royal Bank Plaza, Toronto, Ontario on Tuesday, April 21, 1981 at 11:00 a.m. The formal notice of the Annual Meeting is on page 23 of this report.

National Hees Enterprises Limited

Financial Highlights

1980

1979

TOTAL

Earnings	\$ 8,664,000	\$ 5,847,000
Dividends	\$ 1,741,000	\$ 766,000
Gross Income	\$ 28,641,000	\$ 21,884,000
Total Assets	\$202,698,000	\$128,290,000
Shareholders' Equity	\$ 79,865,000	\$ 31,808,000

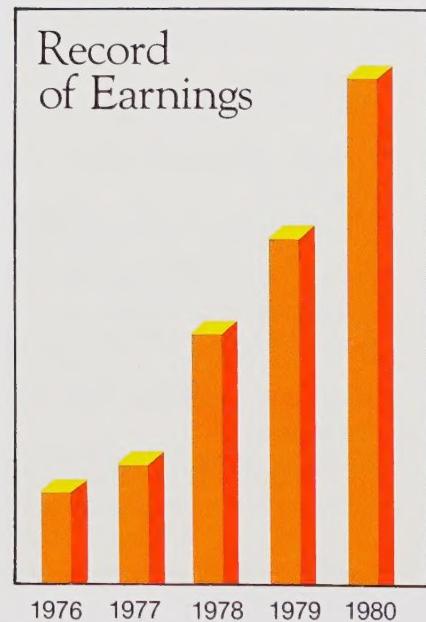
PER COMMON SHARE

Shareholders' Equity	\$ 5.55	\$ 4.46
Earnings	\$ 1.17	\$ 0.88
Return on Equity	26.2%	23.9%

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Record
of Earnings



Directors and Officers

Directors

AUSTIN C. BEUTEL, Toronto
President,
Beutel Goodman & Co. Ltd.

* EDWARD M. BRONFMAN, Toronto
Deputy Chairman,
Edper Investments Ltd.

* JACK L. COCKWELL, Toronto
Senior Vice President Planning,
Brascan Limited

MACHIEL A. CORNELISSEN, Calgary
Senior Vice President,
Finance and Administration
Trizec Corporation Ltd.

D. TERENCE DINGLE, Toronto
President and Chief Executive
Officer, Shawinigan Group Inc.

* J. TREVOR EYTON, Toronto
President and
Chief Executive Officer,
Brascan Limited

RONALD K. FRASER, Hamilton
President,
Ronyx Corporation Limited

ROGER D. GARON, St. Hyacinthe
President,
Aronelle Textiles Ltd.

E. NICOLAAS HOLLAND, Toronto
President,
Menjac Investments Limited

* DAVID W. KERR, Toronto
Executive Vice President,
National Hees Enterprises Limited

* TIMOTHY R. PRICE, Toronto
President,
National Hees Enterprises Limited

* Members of the Executive Committee

A group photograph of the directors attending the March, 1981 board meeting.

In house luncheon meetings, a traditional but informal way of reaching consensus with respect to ongoing business transactions.





Corporate Officers

EDWARD M. BRONFMAN
Chairman

TIMOTHY R. PRICE
President

DAVID W. KERR
Executive Vice President

TIMOTHY W. CASGRAIN
Vice President Operations

DONALD K. MARSHALL
Vice President Investments and Secretary

DONALD R. CRAW
Vice President Equipment Leasing

MANFRED J. WALT
Vice President and Treasurer

ANTHONY E. RUBIN
Controller

Chief Executive Officers

Photographic Services:
HAROLD GREENBERG, Montreal
President, Astral Bellevue Pathé Ltd.

Recreational Activities:
IRVING GRUNDMAN, Montreal
President, Laurentian Lanes Ltd.

Commercial Printing:
HAROLD C. GARFINKLE, Montreal
President, Apex Press (1970) Ltd.

Equipment Leasing:
HUMPHREY KASSIE, Montreal
President, Halco Leasing Ltd.

Caribbean Trading:
ZBIG S. CIURA & NEVILLE M. IKIN
Joint Managing Directors,
Geo. W. Bennett Bryson & Co. Ltd.
Antigua

President's Report

Earnings

Earnings for the year increased to \$8,664,000 compared with \$5,847,000 in the previous year. After providing for preference share dividends, earnings per common share amounted to \$1.17 up from \$0.88 last year.

We are pleased with the results of the past year's operations. It is particularly gratifying to report that the company's marketable securities and corporate investment portfolio at year end had unrealized gains in excess of \$20 million. Given these gains and the company's increased scope of operations, we are confident that earnings should continue to grow at a favourable rate.

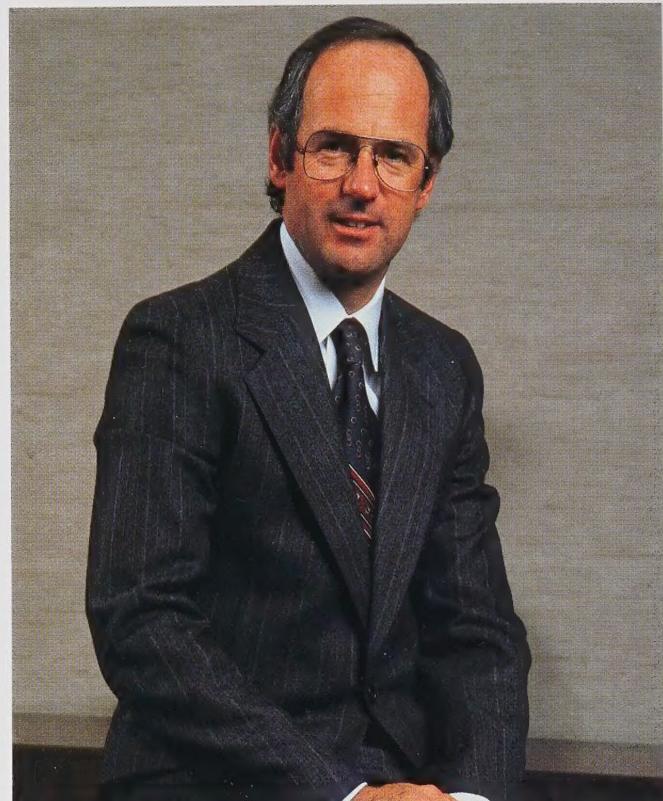
Capital

The company's capital base and scope of operations were substantially increased during the year with the acquisition of all of the shares of Mico Enterprises Limited and the issue of \$40 million of preference shares.

The combination with Mico has been accounted for by the pooling of interests method and this is reflected in the accompanying financial statements through the incorporation of Mico's investment record with National Hees'. It is significant to note that with few exceptions the senior officers and directors of Mico have accepted similar positions with Hees.

On September 30, 1980, the company issued \$40 million of preference shares to Edper Investments Ltd., the company's parent. The proceeds were used for general corporate purposes, including the reduction of bank debt.

The company, with an equity base of approximately \$100 million after taking into account unrealized portfolio gains, ranks as a major presence in Canada's corporate finance and merchant banking industry. This substantial equity base will allow the company to further expand the scope of its activities as opportunities arise.



Timothy R. Price, President

Activities

Corporate Finance

The company's corporate financing activities continued to grow with more emphasis placed on short and medium term financings including leasing activities. Operating lines to support these activities were increased to over \$100 million and the company for the first time made use of bankers' acceptances to reduce its cost of funds. It is the intention during the current year to seek out other sources of lower cost financing including possibly the issuance of commercial paper.

The company continued during the year to assist affiliated companies from time to time in the areas of investment research, evaluation of potential acquisitions and, where appropriate, the structuring of investment initiatives.

Merchant Banking

The company expanded its investment portfolio recognizing that many North American equities represented attractive underlying long term asset values. The 58 per cent increase in total assets over the year to \$203 million reflects this posture.

Although the major thrust of the company's business is to increase its commitment to long term positions in equities, certain investments were realized prematurely due to the exceptional values resulting from corporate takeover offers and abnormal fluctuations in certain sectors of the equity markets. An additional factor which tended to shorten long term investment positions was the extreme volatility of interest rates during 1980 and the resultant high cost of incremental debt servicing.

Corporate Investments - Real Estate

During the year the company added to its commitment in the real estate sector by increasing its investment in the common shares of Carena-Bancorp Holdings Inc. to 32 per cent. This investment provides National Hees with an indirect interest in approximately 1.6 million shares of Trizec Corporation Ltd., one of the largest and most successful real estate development companies in North America.

This is considered to be an important long term investment as it represents National Hees' most significant hedge against inflation. The manner in which real estate is generally financed with debt and the leverage provided by investing in Trizec through Carena Bancorp will tend to considerably strengthen the inflation hedge qualities of this investment.

Corporate Investments - Other

The company's other corporate investments, including those in photographic services, recreational activities, commercial printing and Caribbean trading, all did well in 1980. The favourable earnings trends of these companies should eventually be reflected in increased underlying equity values.

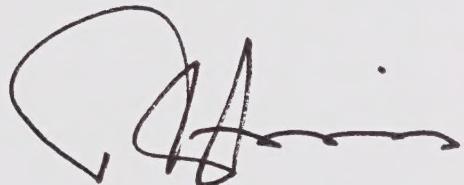
Although we were unsuccessful in making major additions to the private company corporate investment portfolio during the year, it remains National Hees' goal to continue to acquire investment positions in

well managed companies at conservative values, where National Hees' initiatives can result in a quantum increase in their value.

Recognition and Appreciation

National Hees recognizes the value of retaining the support of the financial institutions with which it deals, and endeavoured during the year to forge new relationships with other corporate investment partners. In addition every effort was made to provide a stimulating and personally satisfying working environment so as to attract and retain able people. We clearly recognize that only with exceptional personnel are we likely to achieve our corporate goals and be in a position to provide the special level of services we endeavour to offer.

Our sincere appreciation is expressed to our corporate personnel, investment partners and other business associates without whose help National Hees could not have established its favourable trend of increasing earnings and the exceptional growth in equity value enjoyed by all shareholders.



Timothy R. Price
President

March 10, 1981.

Corporate Finance

National Hees has established lines of credit with Canada's major banks and institutional investors to support the company's corporate lending activities. These activities take the form of commercial loans, bridge financings, equipment leases as well as the structuring and the provision of advice on corporate financing plans. The lending activities are of particular importance to affiliates and client companies during periods of difficult monetary conditions when these services are not always available from other financial institutions.

With respect to its lending activities National Hees maintains an aggressive though conservative financial structure with the objective of matching financing and asset characteristics within acceptable levels of exposure.

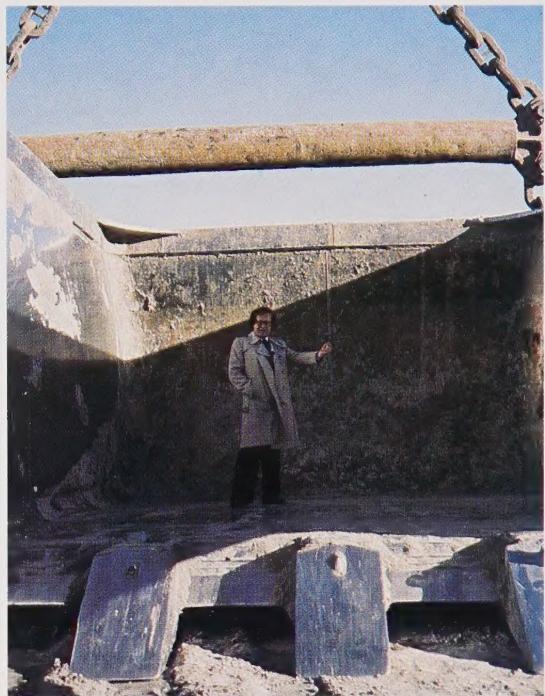
The loans are generally secured and include bridge financings for Canadian produced feature films, real estate development and equipment leasing. These lending activities are an integral part of National Hees' operations as they provide an important service to its clients as well as an assured earnings base and an important liquidity reserve.

In the area of lease financing National Hees participates through Leaseguard Financial Services Co., a 50 per cent joint venture, in equipment lease origination and brokerage services. Total volume of lease business generated during the past year was \$130 million including a major drag line for the development of an open pit coal mine in Western Canada. Additionally National Hees has an approximate 50 per cent investment in Halco Leasing, a company which originates and holds operating leases for its own account.

The company also periodically acts as principal in acquiring equipment lease contracts which are structured to pay out the full capital investment over a number of years at an appropriate spread over National Hees' cost of funds. These lease contracts are substantially financed over a matching period through the chartered banks.

Leaseguard Financial Services arranged the financing of a dragline for a major western based power corporation.

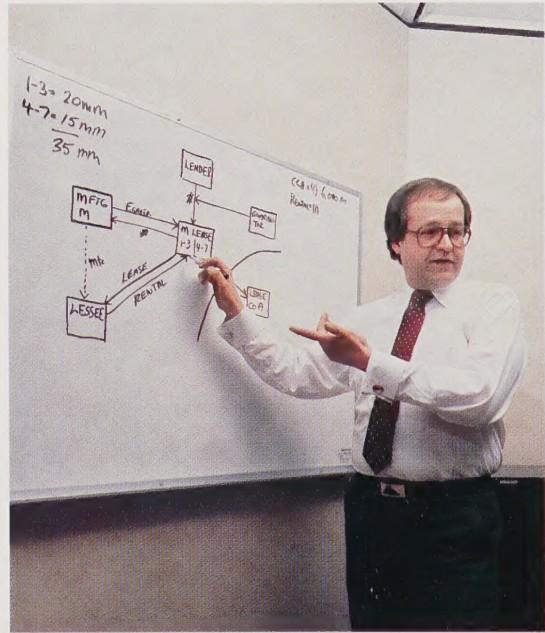




Standing in the bucket of the dragline equipment, Don Craw illustrates its overall size.

National Hees, as a further service to client companies, will initiate or arrange corporate financing for placement with a chartered bank or an institutional investor, and if requested by the investor, will assume responsibility for the ongoing monitoring of the client company's affairs.

National Hees also assists affiliated companies in the areas of investment research, evaluation of potential acquisitions and the structuring of their financing requirements.



Donald R. Craw, Vice President Equipment Leasing

Merchant Banking

National Hees' merchant banking activities entail investing in the equity of both public and private companies. Investments are made primarily in mature companies where there are reasonable expectations of increasing earnings, cash flows and dividends. National Hees' investment policy is generally long range. Its objectives are reasonable income and future growth of both capital and income without exposure to excessive risk.

The recent increase in National Hees' permanent equity base has made additional funds available for long term investment purposes. It is recognized however that from time to time the investment horizon must be shortened due to external variables such as abnormal fluctuations in interest rates and market values.

It is the intention of the company to continue to increase its marketable securities portfolio in sectors of the economy where it is felt that underlying asset values have not been fully recognized. These investments, which are generally acquired with a view to building these holdings into larger long term investment positions should the opportunity arise, presently represent a large portion of the company's assets. Due to their marketable nature, they do however provide the company with a high degree of liquidity and an overall portfolio balance.

With respect to investments in private companies, National Hees does not usually require ownership or management control of the companies in which it invests, although it does seek an effective working relationship with management and other shareholder groups.

Recognizing that incremental investment rewards can usually be earned by combining the expertise of different groups, National Hees is willing to enter into partnerships or joint ventures. This enables National Hees with other investors to engage in a business which would be too difficult for them to operate separately, but which complement their individual interests and satisfy the different risk-reward requirements of the partners.

David Niven in "A Man Called Intrepid" co-produced by Astral Bellevue Pathé, an affiliate and one of Canada's most successful film producers and distributors.





*Donald K. Marshall, Vice President Investments
and Secretary*

The two most important ingredients sought by National Hees in its partnership relationships are integrity and dedication of the partners to contribute towards achieving clearly enunciated partnership objectives. With respect to the need of a partner to contribute, National Hees recognizes that partners' contributions may vary from time to time as may the partners' requirements and as a result the arrangements are periodically reviewed and up-dated.



Hume Publishing is one of the companies for which private equity and debt financing was arranged during the year.

Corporate Investment Real Estate

National Hees participates in the real estate development industry through its 32 per cent interest in Carena-Bancorp Holdings Inc., which in turn holds, amongst other investments, the controlling interest in Trizec Corporation Ltd., one of the largest and most successful real estate companies in North America.

Trizec's portfolio of prime income producing property assets are protected against regional economic downturns by their geographic spread over major cities in prime growth areas throughout Canada and the United States. They are also substantially insulated against interest rate fluctuations by long term fixed rate mortgage financing, and are shielded against inflation by leases which provide for the recovery from tenants of increases in operating expenses and property taxes.

The principal completed properties in which Trizec has interests include 42 office buildings, 43 shopping centres, 24 retirement lodges and nursing homes, 32 mobile home communities providing space for 11,307 homes and various other properties. In addition, Trizec has 3 office buildings and 8 shopping centres under construction and a number of other projects in the planning stage.

Trizec's corporate objectives are to build asset values for the long term while maintaining an acceptable level of operating cash flows and reported earnings. This investment is therefore consistent with the



Atrium on Bay, Toronto, a Trizec joint venture to be completed in 1981.

Fifth and Fifth, Calgary, a successful Trizec development which was completed in 1980.





overall long term investment philosophy of National Hees and provides the company with an effective hedge against inflation. Escalating rental values normally result in increasing operating cash flows which should be translated into higher underlying real estate values.

The return from investing in real estate can be expected to come in the form of reported earnings, plus non-cash charges such as depreciation and deferred taxes, and the anticipated appreciation in property values. Since National Hees recognizes only reported earnings under current accounting practices, the carried value of its investment in Carena Bancorp will tend over time to increasingly underestimate the underlying asset values.

Through its equity investment of \$12.7 million, National Hees has an indirect 12 per cent interest in a diversified real estate



Tim Casgrain, Vice President Operations and David Kerr, Executive Vice President, signing the documentation relating to the company's \$40 million preferred share issue.

portfolio of over \$2 billion. The indirect investment in these real estate properties is highly leveraged at almost twenty times the amount of National Hees' investment. For example, a 5 per cent annual increase in Trizec's property values would result in a 100% return on National Hees' investment, or the equivalent of approximately \$2 per common share per annum. This investment therefore constitutes an effective inflation hedge.

Corporate Investments Other

National Hees currently has equity interests in the photographic services industry, commercial printing and recreational activities, as well as in Caribbean trading and land development. These corporate investments will be held as long as the investment objectives remain or until the management and co-investors desire to increase their investment. Where appropriate National Hees will sell its investment to management and co-investors and provide the financing necessary to make this possible.

National Hees' principal contribution to these companies is generally in assisting in the raising of capital and the determination of corporate policy. In addition, where an investment fails to develop according to expectations, National Hees is often afforded the right and possesses the management and financial capabilities to intercede and take remedial action.

Details of the principal private company corporate investments held at December 31, 1980 are provided below:

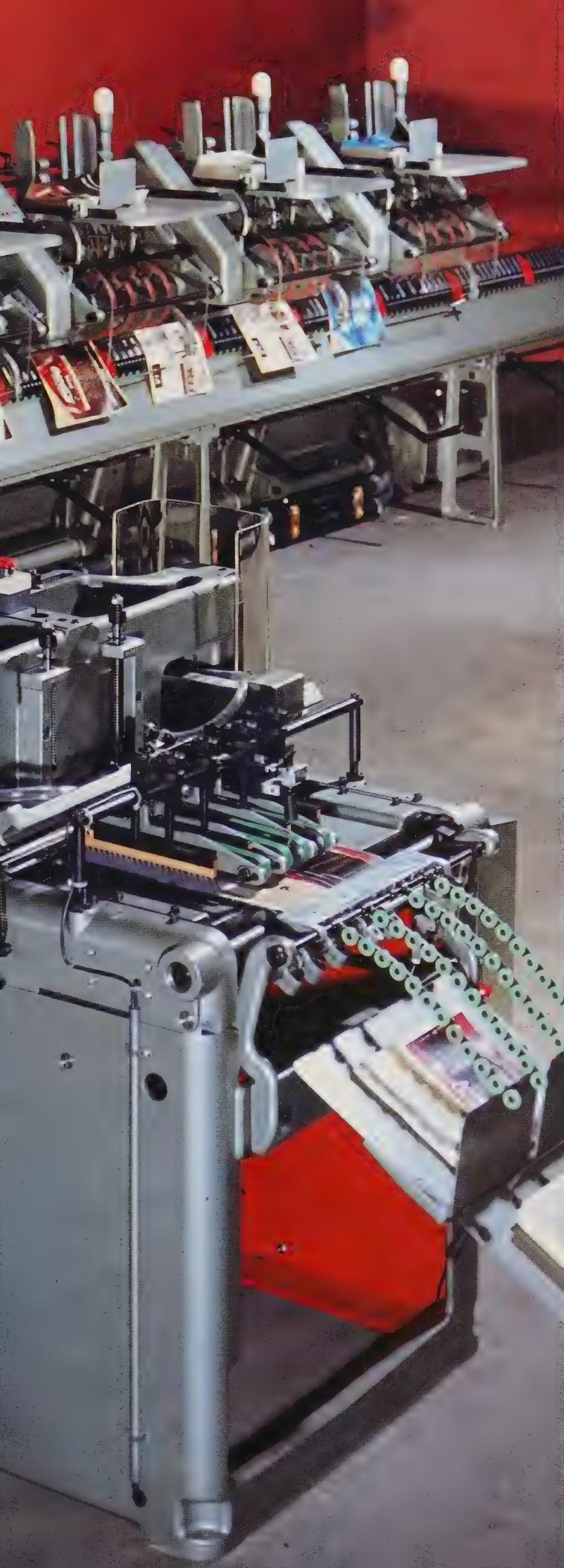
Photographic Services

National Hees owns 50 per cent of Bellevue Photo Labs. which in turn owns 52 per cent of Astral Bellevue Pathé Limited, a publicly owned photographic services and motion picture production company. In addition, National Hees owns a 10% direct interest in Astral Bellevue Pathé. This company, through its Astral Photo stores and Angreen concessions in certain chain stores, presently operates 77 retail photographic outlets. It is also one of the major photofinishers in Canada and is the largest Canadian owned film distributing company. The Company has assets of \$21.5 million and recorded earnings of \$1,106,000 for the twelve months ended February 23, 1980.

Recreational Activities

National Hees participates through Laurentian Lanes Limited to the extent of 67 per cent in a joint venture which owns and operates a chain of recreational centres providing bowling and automatic vending facilities. Laurentian Lanes Limited has assets of \$2 million and generated an





operating cash flow of \$370,000 for the twelve months ended December 31, 1980. This investment continues to be held because of the high level of cash flow generated in relation to its possible divestiture value.

Commercial Printing

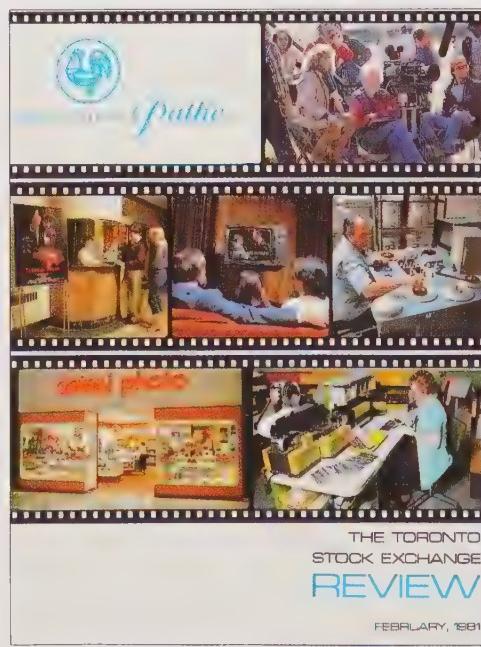
National Hees has an effective 33 per cent interest in Apex Press (1970) Ltd. which owns and operates a commercial printing facility and provides promotional consulting services to institutional and other clients. Apex Press has assets of \$2.5 million and generated an operating cash flow of \$250,000 in its most recent fiscal year.

Equipment Leasing

National Hees has an approximate 50 per cent interest in Halco Leasing Ltd., an equipment leasing company. Halco has assets of \$3 million and generated an operating cash flow of \$1.1 million in its most recent fiscal year.

Caribbean Trading

National Hees owns 100 per cent of Marigot Nassau Ltd., a financial company which in turn owns 67 per cent of Brysons Holdings Ltd. and its wholly-owned subsidiary Geo. W. Bennett Bryson & Co. Ltd. a trading and real estate company. These companies have assets of \$4 million and traded \$11 million of goods and services during the year. Earnings of these companies are only taken into account to the extent they are remitted to Canada.



The cover of the Toronto Stock Exchange Review, February 1981, featuring Astral Bellevue Pathé.

National Hees Enterprises Limited

Consolidated Balance Sheet

as at December 31, 1980

ASSETS	1980	1979
Accounts and loans receivable (Note 2)	\$ 34,350,000	\$ 5,414,000
Marketable securities (Note 3)	140,524,000	92,180,000
Corporate investments		
Carena Bancorp Holdings Inc. (Note 4)	12,661,000	12,829,000
Other corporations	6,326,000	5,634,000
Property and equipment (Note 5)	<u>8,837,000</u>	<u>12,233,000</u>
	<u>\$202,698,000</u>	<u>\$128,290,000</u>
LIABILITIES		
Accounts payable	\$ 11,502,000	\$ 2,842,000
Bank loans	63,366,000	28,703,000
Term loans (Note 6)	36,277,000	46,747,000
Deferred income taxes	1,612,000	1,562,000
Minority interest	<u>10,076,000</u>	<u>16,628,000</u>
	<u>122,833,000</u>	<u>96,482,000</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 7)	55,190,000	14,056,000
Retained earnings	<u>24,675,000</u>	<u>17,752,000</u>
	<u>79,865,000</u>	<u>31,808,000</u>
Signed on behalf of the board Timothy R. Price, Director David W. Kerr, Director	<u>\$202,698,000</u>	<u>\$128,290,000</u>

National Hees Enterprises Limited
 Consolidated Statement of Earnings
 for the year ended December 31, 1980

INCOME	1980	1979
Investment income	\$20,507,000	\$12,699,000
Operating income	5,988,000	5,302,000
Income on corporate investments (Note 4)	<u>2,146,000</u>	<u>3,883,000</u>
	<u>28,641,000</u>	<u>21,884,000</u>
 EXPENSES		
Operating expenses	3,041,000	3,752,000
Interest	13,024,000	9,375,000
Depreciation	2,056,000	945,000
Minority interest	1,802,000	1,626,000
Income taxes (Note 9)	<u>54,000</u>	<u>339,000</u>
	<u>19,977,000</u>	<u>16,037,000</u>
 NET EARNINGS	<u><u>\$ 8,664,000</u></u>	<u><u>\$ 5,847,000</u></u>
 EARNINGS PER SHARE	<u><u>\$1.17</u></u>	<u><u>\$0.88</u></u>

National Hees Enterprises Limited
 Consolidated Statement of Retained Earnings
 for the year ended December 31, 1980

RETAINED EARNINGS	1980	1979
Beginning of year	<u>\$17,752,000</u>	<u>\$12,671,000</u>
 NET EARNINGS	<u> \$8,664,000</u>	<u> \$5,847,000</u>
 DIVIDENDS		
Preference	1,056,000	180,000
Common	<u>685,000</u>	<u>586,000</u>
	<u>1,741,000</u>	<u>766,000</u>
 RETAINED EARNINGS		
End of year	<u> \$24,675,000</u>	<u> \$17,752,000</u>

National Hees Enterprises Limited
Consolidated Statement of Changes
in Financial Position
 for the year ended December 31, 1980

FUNDS PROVIDED	1980	1979
Net earnings	\$ 8,664,000	\$ 5,847,000
Items not requiring funds		
Depreciation	2,056,000	945,000
Deferred income taxes	<u>50,000</u>	<u>123,000</u>
From operations	10,770,000	6,915,000
Preferred shares issued	40,000,000	—
Common shares issued	1,134,000	—
Loans receivable	—	9,336,000
Loans payable	—	4,467,000
Corporate investments	—	6,802,000
Property and equipment	1,340,000	589,000
Accounts payable	8,660,000	1,567,000
Increase in funds — bank loans	<u>34,663,000</u>	<u>16,791,000</u>
	<u><u>\$96,567,000</u></u>	<u><u>\$46,467,000</u></u>

FUNDS APPLIED		
Marketable securities	48,344,000	37,878,000
Corporate investments	524,000	—
Loans receivable	28,936,000	—
Loans payable	10,470,000	—
Minority interest	6,552,000	7,824,000
Dividends paid	<u>1,741,000</u>	<u>765,000</u>
	<u><u>\$96,567,000</u></u>	<u><u>\$46,467,000</u></u>

National Hees Enterprises Limited

Notes to Consolidated Financial Statements

December 31, 1980

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The financial statements include the accounts of the company and all its subsidiaries which conduct their business operations in Canada. Corporate investments, which are accounted for under the equity method, include investments amounting to \$808,000 (1979 - \$774,000) in subsidiary companies which conduct their business operations in the Caribbean.

Depreciation: Depreciation on equipment under lease is based on a method which reflects a constant return on the unrecovered investment in the equipment. Depreciation on other property is computed on the straight line method at varying rates.

Income Taxes: The company follows the tax allocation method of providing for income taxes. Under this method income taxes currently payable may differ from the total income tax provision for the year as a result of timing differences between recognition of expenditures for accounting purposes and tax purposes. Such differences mainly arise from claiming capital cost allowances for tax purposes, which are higher than depreciation charged for determining reported income. The tax effect of these timing differences is reflected in the accounts as deferred income taxes.

Currency Translation: All assets and liabilities in United States funds are recorded at exchange rates existing at December 31, 1980.

2. ACCOUNTS AND LOANS RECEIVABLE

Included in accounts and loans receivable are \$2,819,000 (1979 - \$234,000) due from parent and affiliated companies and \$1,134,000 (1979 - nil) due from employees pursuant to a management share purchase plan. Loans receivable due in one year amount to \$17,089,000 (1979 - \$8,392,000).

3. MARKETABLE SECURITIES

Marketable securities are stated at cost and have a net realizable value of \$145,104,000 (1979 - \$93,543,000) and include \$15,507,000 (1979 - \$15,067,000) of securities of affiliated companies. Substantially all marketable securities are pledged as collateral for bank debt and term loans.

4. INVESTMENT IN CARENA-BANCORP HOLDINGS INC.

The investment in Carena-Bancorp Holdings Inc. represents a 32% common share interest. Included in income on corporate investments is the company's equity in the earnings of Carena-Bancorp Holdings Inc. for the year which amounted to \$1,206,928 (1979 - \$927,300). Dividends received during the year amounted to \$524,928 (1979 - \$396,900).

5. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Equipment under lease	\$15,388,000	\$7,861,000	\$7,527,000
Other property	1,607,000	297,000	1,310,000
	<u>\$16,995,000</u>	<u>\$8,158,000</u>	<u>\$8,837,000</u>

6. TERM LOANS

This debt bears interest at floating rates which averaged 14.9% as at December 31, 1980 and includes \$23,663,000 payable to the parent company and affiliates. Approximate debt maturities are as follows:

1981	\$23,032,000
1982	2,054,000
1983	11,133,000
1984	58,000
	<u>\$36,277,000</u>

7. CAPITAL STOCK

	<u>Shares Authorized</u>	<u>Shares Issued</u>	<u>Amount Paid-up</u>	<u>1979</u>
Preference shares, non-voting par value \$10, issuable in series	5,000,000			
Series A non-cumulative, 6%, redeemable at par		300,000	\$ 3,000,000	\$ 3,000,000
Series B cumulative with dividends at a rate equal to the prime rate divided by 2 plus 1½%, redeemable at par		4,000,000	40,000,000	—
Common shares without par value	20,000,000	6,637,334	12,190,000	11,056,000
			<u>\$55,190,000</u>	<u>\$14,056,000</u>

During the year all of the Series B preference shares and 180,000 common shares were issued for cash of \$40,000,000 and \$1,134,000 respectively. In addition, the company issued 4,934,874 common shares in exchange for all of the outstanding 1,790,096 common shares and 1,499,820 Class A preference shares of Mico Enterprises Limited. The newly issued shares represent 74.4% of the voting shares of the company. The combination has been accounted for under the pooling of interests method and the financial statements for 1979, reported upon by other auditors, have been restated using this method.

The following summarizes the assets, liabilities, revenue and net income of each of the combining companies for their last fiscal year ended prior to the combination.

	National Hees Enterprises Limited December 31, 1980	Mico Enterprises Limited April 30, 1980
Assets	\$24,761,000	\$138,074,000
Liabilities	13,621,000	104,946,000
Minority interest	155,000	11,029,000
Shareholders' equity		
Capital stock	5,093,000	8,963,000
Retained earnings	5,892,000	13,136,000
	\$24,761,000	\$138,074,000
Total income	\$ 4,215,000	\$ 19,400,000
Net earnings	\$ 985,000	\$ 5,002,000

8. INCOME AND EXPENSE - AFFILIATED COMPANIES

Investment income includes \$1,280,000 of interest and dividends received from affiliated companies. Interest expense includes \$3,594,000 paid to affiliates.

9. INCOME TAXES

Net earnings have been reduced for tax purposes on account of dividend income and income on corporate investments. Losses available to reduce future income for tax purposes aggregate approximately \$11,851,000. The availability of losses expires in 1985.

10. EARNINGS PER SHARE

Earnings per share have been calculated using the weighted average number of shares outstanding during the year which amounted to 6,517,334 shares. All of the common shares issued in exchange for Mico Enterprises Limited have been treated as though they were outstanding from January 1, 1980.

Auditors' Report

To the Shareholders of National Hees Enterprises Limited

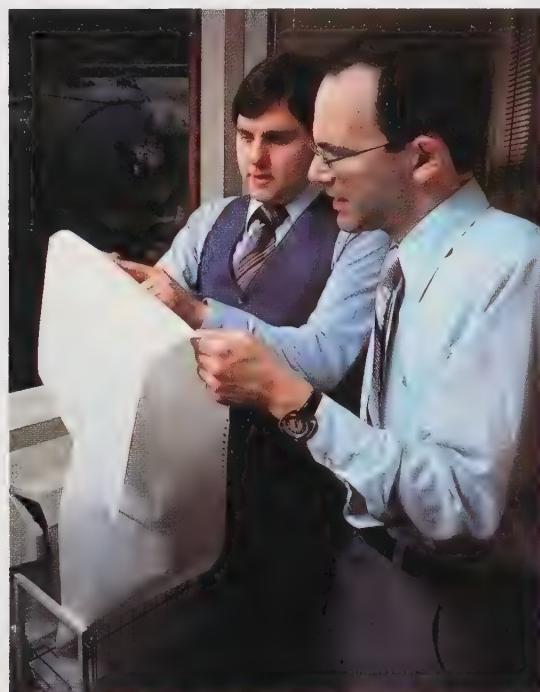
We have examined the consolidated balance sheet of National Hees Enterprises Limited as at December 31, 1980 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

TOUCHE ROSS & CO.
Chartered Accountants

February 13, 1981
Toronto, Ontario



Manfred Walt, Vice President and Treasurer, and
Tony Rubin, Controller, in the company's computer room
verifying a day's transactions.

Record of Progress

TOTAL	1980	1979	1978	1977	1976
Earnings	\$ 8,664,000	\$ 5,847,000	\$ 4,491,000*	\$ 2,335,000	\$ 2,071,000
Dividends	\$ 1,741,000	\$ 766,000	\$ 697,000	\$ 676,000	\$ 654,000
Gross Income	\$ 28,641,000	\$ 21,884,000	\$ 15,006,000	\$10,254,000	\$ 9,874,000
Total Assets	\$202,698,000	\$128,290,000	\$108,084,000	\$65,680,000	\$71,212,000
Shareholders' Equity.	\$ 79,865,000	\$ 31,808,000	\$ 26,727,000	\$20,300,000	\$18,640,000
Shares Outstanding	6,637,334	6,457,334	6,457,334	6,457,334	6,457,334

PER COMMON SHARE

Earnings	\$ 1.17	\$ 0.88	\$ 0.67	\$ 0.33	\$ 0.29
Dividends	10.5¢	9.0¢	8.0¢	7.6¢	7.3¢
Shareholders' Equity	\$ 5.55	\$ 4.46	\$ 3.67	\$ 2.68	\$ 2.42
Return on Equity	26.2%	23.9%	24.9%	13.7%	13.2 %

*NOTE: Excludes an extraordinary gain of \$2,632,000 recorded by an equity accounted affiliate on the sale of the Club de Hockey Canadien Inc.

Notice of Annual and General Meeting of Shareholders

The Annual and General Meeting of the shareholders of National Hees Enterprises Limited will be held in the Main Boardroom, Suite 3400, Royal Bank Plaza, Toronto, Ontario on Tuesday, April 21, 1981 at 11:00 a.m. (Eastern Standard Time).

The purposes of the meeting are to receive and consider the Annual Report of the directors and the consolidated financial statements of the Corporation for the year ended December 31, 1980 together with the report of the auditors, to elect directors, to appoint auditors, to authorize the Board of Directors to fix their remuneration and to approve, with or without variation, a Special Resolution of the Corporation passed by the directors on March 3, 1981 authorizing an amendment to the articles of the Corporation to increase the authorized capital of the Corporation.

Any other business which may properly come before the meeting will also be considered and acted upon.

The directors hope that you will find it convenient to attend the meeting, after which you are cordially invited to join the directors and officers for refreshments. However, if you are unable to be personally present, kindly fill in ,date, sign and return the proxy enclosed with the annual report in the envelope for that purpose.

By Order of the Board of Directors



Donald K. Marshall
Vice President & Secretary

Toronto, March 10, 1981

NOTE: Shareholders who are unable to attend the meeting in person are requested to fill in, date and sign the accompanying proxy instrument and to return it in the envelope provided for that purpose to the Secretary of the Corporation, c/o Canada Permanent Trust Company, 20 Eglinton Avenue, West, Toronto, Ontario.

Information Circular

at March 10, 1981

SOLICITATION OF PROXIES

THIS INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF NATIONAL HEES ENTERPRISES LIMITED (THE "CORPORATION") of proxies for use at the annual and general meeting of shareholders of the Corporation to be held at the time and place and for the purposes set forth in the foregoing notice of meeting. The costs of the solicitation by management will be borne by the Corporation.

PROXIES AND VOTING

Shareholders unable to attend the meeting are requested to complete, sign and return the accompanying form of proxy. Proxies deposited with the Secretary of the Corporation at any time up to the opening of the meeting may be voted if otherwise valid, and if in favour of the persons designated in the printed portion of the accompanying form of proxy WILL BE VOTED (OR WITHHELD FROM VOTING) IN ACCORDANCE WITH THE SPECIFICATIONS OF THE SHAREHOLDER SUBMITTING THE SAME.

In the absence of any contrary specifications on the form of proxy, the shares represented by properly executed proxies in favour of the persons designated in the printed portion of the accompanying form of proxy WILL BE VOTED FOR THE ELECTION OF DIRECTORS, THE APPOINTMENT OF AUDITORS AND THE INCREASE IN CAPITAL, ALL AS STATED IN THIS CIRCULAR. The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting or other matters which may properly come before the meeting. Management knows of no such amendments, variations or other matters to come before the meeting.

A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER OF THE CORPORATION) TO REPRESENT HIM AT THE MEETING OTHER THAN THE PERSONS DESIGNATED IN THE PRINTED PORTION OF THE

ENCLOSED FORM OF PROXY. TO EXERCISE THIS RIGHT THE SHAREHOLDER SHOULD STRIKE OUT THE PRINTED NAMES AND INSERT THE NAME OF HIS NOMINEE IN THE PLACE PROVIDED.

REVOCABILITY OF PROXIES

A shareholder giving a proxy may revoke the proxy by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof at which the proxy is to be used, or at any time before the proxy is acted upon with the chairman of the meeting on the day of the meeting or adjournment thereof.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As at March 10, 1981 the number of issued and outstanding shares of the Corporation entitled to vote at the meeting is 6,637,334 common shares without nominal or par value (the "common shares"). Each common share entitles the holder of record, as of the date of the meeting, to one vote on all matters to come before the meeting.

To the knowledge of the directors and officers of the Corporation, Edper Investments Ltd. and Sanford Investment Corp. are the only persons or corporations who beneficially own or exercise control or direction over equity shares carrying more than 10% of the votes attached to shares of the Corporation. Edper Investments Ltd. beneficially owns approximately, 3,958,924 common shares or 60% of the outstanding voting shares of the Corporation and Sanford Investment Corp. beneficially owns approximately 824,766 common shares or 12% of the outstanding voting shares of the Corporation. Edper Investments Ltd. is an investment holding corporation, all of the outstanding equity shares of which are controlled by trusts, amongst whom the

beneficiaries are Edward M. Bronfman and his family. Austin C. Beutel, Edward M. Bronfman, Jack L. Cockwell, J. Trevor Eyton and David W. Kerr, directors of the Corporation, are trustees of these trusts. Timothy R. Price, David W. Kerr and Jack L. Cockwell, directors of the Corporation, are directors of Sanford Investment Corp. and Jack L. Cockwell holds a common equity interest in this corporation.

ELECTION OF DIRECTORS

With respect to the election of directors, the articles of the Corporation provide that every shareholder of the Corporation entitled to vote at an election of directors has the right to cast thereat a number of votes equal to the number of votes attached to the shares held by him multiplied by the number of directors to be elected, and he may cast all such votes in favour of one candidate or distribute them among the candidates in such manner as he sees fit, and where he has voted for more than one candidate without specifying the distribution of his votes among such candidates, he shall be deemed to have divided his votes equally among the candidates for whom he voted.

Names of Nominees, offices held in the Corporation and principal occupations

It is proposed that each director elected at the meeting will hold office until the next annual meeting, or until his successor is elected, unless his office is vacated earlier in accordance with the by-laws of the Corporation.

The persons named below are proposed to be nominated for election as directors. Unless such authority is withheld, the person named in the printed portion of the accompanying proxy intend to vote for the election of such persons as directors. However, if any of the proposed nominees are unable to serve, the shares will be voted for other nominees at the discretion of the persons named in the proxy.

The following are the names of the proposed nominees, all other major positions and offices (if any) with the Corporation now held by them, their principal occupations or employments, the years in which they were first elected as directors of the Corporation, and the approximate number of shares of the Corporation beneficially owned by them. Each of the proposed nominees has served as a director continuously since first being elected.

Names of Nominees, offices held in the Corporation and principal occupations	Year first Elected a Director	Approximate number of shares of the Corporation beneficially owned
EDWARD M. BRONFMAN ⁽²⁾ Chairman of the Corporation, Deputy Chairman — Edper Investments Ltd. (investment holding)	1970	(1)
AUSTIN C. BEUTEL ⁽³⁾ President — Beutel Goodman & Co. Ltd. (investment counsel)	1971	5,000 common shares
JACK L. COCKWELL ^{(2), (3)} Senior Vice-President, Planning, Brascan Limited (investment management)	1970	150 common shares ⁽¹⁾
MACHIEL A. CORNELISSEN Senior Vice-President, Finance and Administration — Trizec Corporation Ltd. (real estate investment)	1980	15,150 common shares

Names of Nominees, offices held in the Corporation and principal occupations	Year first Elected a Director	Approximate number of shares of the Corporation beneficially owned
D. TERENCE DINGLE President and Chief Executive Officer — Shawinigan Group Inc. (consulting engineering)	1980	13,615 common shares
J. TREVOR EYTON ⁽²⁾ President and Chief Executive Officer, Brascan Limited (investment management)	1970	21,666 common shares
RONALD K. FRASER President-Ronyx Corporation Limited (manufacturing)	1980	8,740 common shares
ROGER D. GARON President-Aronelle Textiles Ltd. (textiles)	1980	3,000 common shares
E. NICOLAAS HOLLAND ⁽³⁾ President-Menjac Investments Limited (investment holding)	1981	150 common shares
DAVID W. KERR ⁽²⁾ Executive Vice-President of the Corporation	1978	166,400 common shares
TIMOTHY R. PRICE ⁽²⁾ President of the Corporation	1970	400,750 common shares

(1) Refer to "Voting Shares and Principal Holders Thereof".

(2) Member of Executive Committee.

(3) Member of Audit Committee.

Mr. E. Nicolaas Holland was formerly associated with Ernst & Whinney prior to May 1980.

FINANCIAL ASSISTANCE IN CONNECTION WITH THE PURCHASE OF SHARES OF THE CORPORATION

Since January 1, 1980, the Corporation has made loans to certain of its officers in connection with the purchase of common shares of the Corporation pursuant to the employee share purchase plan of the Corporation. The loans bear interest at a rate equal to the amount of cash dividends paid by the Corpor-

ation on such shares while the loans are in effect. The names and positions of the recipients of such loans and the aggregate amount loaned to each of them is as follows:

Timothy R. Price, Toronto, President, \$378,000; David W. Kerr, Toronto, Executive Vice President, \$315,000; Timothy W. Casgrain, Toronto, Vice President Operations, \$189,000; Donald K. Marshall, Toronto, Vice President and Secretary, \$189,000; Manfred J. Walt, Toronto, Vice President and Treasurer, \$31,500; Donald R. Craw, Brampton, Vice President Equipment Leasing, \$31,500.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Year ended December 31, 1980

	From Office Employment and Employer Contributions (Aggregate)	Nature of Remuneration
	Cost of Pension Benefits (Aggregate)	Other (Aggregate)
(I) Directors (Total Number: 11)		
(A) From Hees and wholly owned subsidiaries ..	—	—
(B) From partially owned subsidiaries.....	—	—
Total	NIL	NIL
(II) Five Senior Officers:		
(A) From Hees and wholly owned subsidiaries ..	\$157,000	—
(B) From partially owned subsidiaries.....	—	—
Total	\$157,000	NIL
(III) Officers with Remuneration over \$50,000 (Total Number: Nil)		
(A) From Hees and wholly owned subsidiaries ..	—	—
(B) From partially owned subsidiaries.....	—	—
Total	NIL	NIL

APPOINTMENT OF AUDITORS

Unless such authority is withheld, the persons named in the printed portion of the accompanying proxy intend to vote for the appointment of Touche Ross & Co., Chartered Accountants as auditors of the Corporation at a remuneration to be fixed by the directors. Touche Ross & Co. were first appointed auditors in June 1980.

INCREASE IN CAPITAL

The shareholders of the Corporation will be asked to consider and, if thought fit, to confirm a Special Resolution in the form of Exhibit A attached hereto providing for an increase of the number of currently authorized preference shares of the Corporation from 5,000,000 to 10,000,000, for the redesignation of such shares as Class I Preference Shares and for

the creation of 10,000,000 Class II Preference Shares without par value.

In order to be effective, the Special Resolution must be passed by two-thirds of the votes cast at the Annual and General meeting.

The Preference Shares of both classes are issuable in series, each series to consist of the number of shares determined by the directors from time to time. The characteristics of each series, such as dividend rate, redemption terms and any conversion rights, are to be fixed by the directors.

The increase in authorized share capital is considered desirable by the directors of the Corporation so as to provide the Corporation with increased flexibility for financing and to enable the Corporation to take prompt advantage of financing opportunities as they become available.

General

The Annual Report of the directors and consolidated financial statements of the Corporation for the year ended December 31, 1980 will be presented to the shareholders for their consideration.

The information contained in this information circular is given as of the 10th day of March, 1981. The management of the Corporation knows of no matter to come before the meeting other than the matters referred to in the notice of the meeting.

By Order of the Board



Donald K. Marshall
Vice-President & Secretary

Dated March 10, 1981

Exhibit A — Special Resolution

RESOLVED by way of Special Resolution that:

1. The articles of the Corporation be amended to:
 - (a) increase its authorized capital:
 - (i) by increasing the number of authorized preference shares with a par value of \$10 each of the Corporation from 5,000,000 to 10,000,000 and redesignating such shares as Class I Preference Shares.
 - (ii) by creating a class of 10,000,000 preference shares without par value designated as Class II Preference Shares which as a class shall have attached thereto the rights, preferences, conditions, restrictions, limitations and prohibitions described in Exhibit B hereto;
 - (b) declare that the authorized capital of the Corporation, after giving effect to the foregoing, will consist of 10,000,000 Class I Preference shares, 10,000,000 Class II Preference Shares and 20,000,000 Common Shares.
2. The directors and proper officers of the Corporation be and are hereby authorized to execute such documents, including Articles of Amendment, and to take such other action as they consider necessary or desirable to implement this resolution.

Exhibit B

The Class II Preference Shares shall, as a class, have attached thereto the following rights, preferences, conditions, restrictions, limitations and prohibitions:

1. Directors' Right to Issue in One or More Series

The Class II Preference Shares may at any time or from time to time be issued in one or more series. Before any shares of a particular series are issued the directors of the Corporation shall fix the number of shares that will form such series and shall, subject to the limitations set out herein, by resolution determine the designation, rights, preferences, conditions, restrictions, limitations and prohibitions to be attached to the Class II Preference Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the rate, amount or method of calculation of dividends thereon, the time and place of payment of dividends, the consideration and the terms and conditions of any purchase for cancellation, retraction or redemption thereof, conversion rights (if any), and the terms and conditions of any share purchase plan or sinking fund, the whole subject to the filing of a statement under the Business Corporations Act (Ontario) setting forth the

designation, rights, preferences, conditions, privileges, restrictions, limitations and prohibitions attaching to the Class II Preference Shares of such series determined by the directors.

2 .Ranking of Class II Preference Shares

The Class II Preference Shares of each series shall rank on a parity with the Class II Preference Shares of every other series with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs. The Class II Preference Shares shall rank junior to the Class I Preference Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs. The Class II Preference Shares shall be entitled to a preference over the Common Shares of the Corporation and over any other shares ranking junior to the Class II Preference Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs. If any dividends or amounts payable on a return of capital are not paid in full, the Class II Preference Shares of all series shall participate rateably in respect of such dividends, including accumulations, if any, in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of any repayment of capital in accordance with the sums that would be payable on such repayment of capital if all sums so payable were paid in full; provided, however, that in the event of there being insufficient assets to satisfy in full all such claims as aforesaid, the claims of the holders of the Class II Preference Shares with respect to repayment of capital shall first be paid and satisfied and any assets remaining thereafter shall be applied towards the payment and satisfaction of claims in respect of dividends. The Class II Preference Shares of any series may also be given such other preferences not inconsistent with paragraphs 1 to 4 hereof over the Common Shares of the Corporation and over any other shares ranking junior to the Class II Preference Shares as may be determined by the directors in the case of such series of Class II Preference Shares.

3. Voting Rights

Except as required by law, the holders of the Class II Preference Shares shall not be entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of the Corporation.

4. Approval of Holders of Class II Preference Shares

The approval of the holders of Class II Preference Shares to add to, delete or vary any right, preference, condition, restriction, limitation or prohibition attaching to the Class II Preference Shares, to create any preference shares ranking in any respect in priority to or on a parity with the Class II Preference Shares or to any other matters requiring the consent of the holders of the Class II Preference Shares may be given by at least $\frac{2}{3}$ of the votes cast at a meeting of the holders of Class II Preference Shares duly called for that purpose.

The formalities to be observed in respect of the giving of notice of any such meeting or any adjourned meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Corporation with respect to meeting of shareholders or, if not so prescribed, as required by the Business Corporations Act (Ontario). On every poll taken at a meeting of holders of Class II Preference Shares, each holder of Class II Preference Shares entitled to vote thereat shall have one vote in respect of each Class II Preference Share held by him.

Group of companies

Wholly Owned

NATIONAL HEES ENTERPRISES LIMITED
Holding and financial services
company.

MICO ENTERPRISES LIMITED
Corporate lending and
merchant banking

NHE HOLDINGS LIMITED
Corporate financing

McGREGOR PINE ESTATES LTD.
Marketable security investments

CANADIAN BANCORP
INVESTMENTS LTD.
Marketable security investments.

LES RESERVES BANCORP LTD.
Corporate lending and merchant
banking

NORTHERN RESERVE
CORPORATION LTD.
Land development

VARITECH INVESTORS LIMITED
Management and financial
advisory services

MARIGOT NASSAU LTD.
Holding company and mortgage
lending



*Shipping and stevedoring in the Caribbean, part of the
operations of Brysons in Antigua.*

Peachtree Center, a Trizec office development in Atlanta.



Partly Owned

CARENA-BANCORP HOLDINGS INC.
Investment company holding a
controlling interest in Trizec
Corporation Ltd.

MICO SECURITIES LTD.
Marketable security investments.

BELLEVUE PHOTO LABS. INC.
Holding company for Astral
Bellevue Pathé Limited

APEX PRESS (1970) LTD.
Commercial printing and
promotional consulting.

LEASEGUARD FINANCIAL
SERVICES CO.
Equipment lease
brokerage and management

HALCO LEASING LIMITED
Equipment leasing.

LAURENTIAN LANES LTD.
Recreational activities

BRYSONS HOLDINGS LTD.
Holding and financial company.

GEO. W. BENNETT BRYSON & CO. LTD.
Caribbean trading and real
estate holdings.

*The Fashion Show, Las Vegas, at Trizec-Hahn shopping
development opened February 14, 1981.*

*A reproduction of an original soft drink dispenser
presented to Brysons to commemorate its fifty year
association with Coca-Cola.*

Business Comment

Canada is a country blessed with an abundance of natural resources, farming lands, limited dependence on foreign energy sources and the people with the skills to use these resources to build a country of great wealth. Wealth is not a limited quantity. It has to be developed and maintained through ongoing effort. It is created most readily by men working freely in an environment where interference is minimal.

Unnecessary interference, restrictions on initiative and taxation of effort all tend to reduce performance and productive effort, whereas encouragement and subsidization leads to greater output. The problem with governments today is that they generally tend to tax work, discourage savings, interfere with the allocation of resources and production, while encouraging unemployment, subsidizing welfare and facilitating consumption.

The opportunity to create wealth in Canada for the benefit of all Canadians continues to exist. However, there are a number of barriers which must be removed if the rightful expectations of all Canadians are to be fulfilled. Canadian governments and corporations at all levels need to work towards removing these obstacles. This includes uncertainty. We need a rational development plan which deals both with respect to the domestic market as well as with

respect to Canada's relations with the rest of the world. An economic working blueprint drawn with consensus would enable the corporate sector to develop its long term plans with the degree of confidence and conviction which has been lacking in recent years.

The philosophy that rewards achievement and encourages individuals to work freely to create wealth should be entrenched in the Canadian way of life. To create this environment will be the principal challenge of the next decade. The political reality, however, is that change is needed and that most of the tax revenues and the negative impact of the regulatory process falls on the shoulders of a small minority of highly productive citizens. That is, change will be required from the more than 50% of the citizens who pay less than 10% of the nation's taxes. The most productive 1% of the population presently pays proportionately more than one hundred times as much as the average taxes paid by the individuals who constitute the majority of the population.

Persuasion of the majority that they will be better off over the long term by permitting the achievements of the wealth creators to be properly rewarded is the challenge we all face. Only by meeting this challenge will our nation attain its full potential and rightful position in the world.

Corporate Information

Bankers

Bank of Montreal
Mercantile Bank of Canada
Continental Bank of Canada
Royal Bank of Canada

Legal Counsel

Tory, Tory, DesLauriers
& Binnington
Toronto, Ontario

Auditors

Touche Ross & Co.
Toronto, Ontario

Transfer Agent

Canada Permanent Trust Company
20 Eglinton Avenue West
Toronto, Ontario.

Stock Exchange

Toronto

Ticker Symbol

NLH

Head Office

P.O. Box 93
Suite 3601,
Royal Bank Plaza,
Toronto, Ontario.

